

Interview by Navigant Consulting
with Roxanne Story Parks

at footnote(s):

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Memorandum

To: SDCERS file
From: Amanda Massucci and Steven Stanton
Date: December 27, 2005
Re: Interview of Roxanne Story Parks, San Diego City Employees Retirements System
("SDCERS") Assistant General Counsel

Attorney Work Product
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On December 15, 2005, Steve Stanton and Amanda Massucci met with Roxanne Story Parks, SDCERS Assistant General Counsel and her attorneys, Mark Byrne and Jennifer Derwin at the Navigant office in San Diego.

This memorandum summarizes the interview, and is not a verbatim transcript of the interview. We have incorporated into this memorandum our thought processes and analysis, including the choice of which questions and answers were sufficiently significant to memorialize. This memorandum has not been shown to or reviewed, signed, approved or adopted by Ms. Story Parks.

We began the interview by providing Ms. Story Parks and her attorneys the written interview notice. We asked Ms. Story Parks if she understood the notice and whether she had any questions concerning the notice. She said she understood the notice and she did not have any questions concerning this notice.

Employment Background

Ms. Story Parks became an attorney in 1985. She first worked for Luce Forward, primarily in the area of insurance bad faith litigation. She next worked for a smaller firm in San Diego. In November 1994, she joined the San Diego City Attorney's office in the criminal division. In approximately 1996, she moved to the civil division and began

advising the retirement Board of SDCERS. In 1997, she began working for the retirement system.

When we asked her about her position becoming part of the retirement system, Ms. Story Parks responded that the decision occurred after Proposition 162 amended the California constitution to allow more independence for the retirement boards. She also said that Morrison & Forrester had issued an opinion letter to SDCERS advising the Board of its right to have independent counsel. She said that at the time the decision was made to transfer the positions to SDCERS, the Board negotiated with the City Attorney's office which Ms. Story Parks thought did not want to lose the revenue stream associated with the attorneys (SDCERS had previously paid the City for the attorneys who serviced SDCERS).

Ms. Story Parks said that she and Lori Chapin moved to SDCERS at the same time. They hired Sheila Leone Jacobs, who previously worked in the City Attorney's office, in approximately 1999. Ms. Story Parks also said that the SDCERS legal department currently consists of one senior paralegal and two junior paralegals, but no additional attorneys.

Current Responsibilities

Ms. Story Parks oversees outside tax counsel. She handles benefit issues other than disability benefits, which are covered by Sheila Leone Jacobs. Ms. Story Parks also drafts ordinances, deals with public records requests, handles community property issues and addresses any questions concerning the Brown Act. In addition to handling disability benefits, Ms. Story Parks also said that Ms. Jacobs oversees outside litigation counsel.

Ms. Story Parks was part of the group who recently interviewed new firms for fiduciary counsel. She said that they were recommending that the Board hire Harvey Leiderman from the Steffel firm in San Francisco. She said that Mr. Leiderman has bankruptcy experience; he was hired to assist with the Orange County bankruptcy in the mid 1990's.

Ms. Story Parks reports to Lori Chapin. Most of her interaction has been with Ms. Chapin although she does have some interaction with Larry Grissom and previously with Paul Barnett. She said that previously she did not have interaction with the Board. Ms. Chapin would communicate with the Board although Ms. Story Parks did not always know the outcome of that communication. She said that there has been more involvement of the "number two" people since Mr. Barnett passed away in the summer of 2005.

2002 Manager's Proposal

Ms. Story Parks did not have any involvement with the 2002 meet and confer process. She did assist during the later stages of the 2002 manager's proposal. For example, she drafted the ordinance for City Council and wrote the general member language.

Ms. Story Parks said that City Council approved the benefits in November 2002 although SDCERS had begun preparing for the administrative changes in advance of November.

Ms. Story Parks also said that during discussions about the firefighter's accrued leave, Mr. Herring and Ms. Lexin said not to worry about the additional costs since it would be part of the unfunded liability. She thinks they understood the impact of deferring the liability.

We asked Ms. Story Parks about her recollection of the July 2002 Board meeting. She responded that she did not believe that Rick Roeder was comfortable with MP2 although she did not have any specific discussions with him about it. She recalled Mr. Roeder's "ski slopes" presentation in which he asked which way the System was going.

She had no direct knowledge that the System was nearing the funded ratio floor established by the trigger but guessed that the City must have known which lead to the push to complete the 2002 manager's proposal. She also recalled that Mr. Roeder made it clear that the System was close to the floor. She also recalled that he said it was better for the City to pay more than less although she recalled that the revised manager's proposal was not a good idea. She also recalled that the City would owe \$75-100 million if the trigger was reached. She did not recall the Board ever discussing letting the balloon payment occur. She said that she disagreed with the "Lexin/Grissom" interpretation of the operation of the trigger and resulting balloon payment. Ms. Story Parks described Mr. Roeder's attitude as "resigned". She said that he did not support MP2 and also said the System was better off under the 1996 manager's proposal.

She recalled Mr. Saathoff's amended motion that "saved the day" which she later learned had been created in advance of the Board meeting as memorialized in a memo authored by Cathy Lexin.

Ms. Story Parks also said that she did not believe that Bob Blum was comfortable with MP2.

She also guessed that the Board did not understand the complexity of the manager's proposal. She remembered an attitude of "help the City". She thought the Board

members who were also City employees were in an awkward position. The unions had members attend the Board meetings to encourage the Board members to vote for MP2. She said that there was hearsay that Conny Jamison had been demoted for not supporting the first manager's proposal.

She said that Lexin and Herring were forceful during the Board meeting. She said that she did not think that John Torres, Sharon Wilkinson and John Casey understood the implications of MP2 based on their reasons for supporting it.

Ms. Story Parks recalled that Mr. Blum advised the Board that they had met their fiduciary duty if they followed a process for discussing and approving the manager's proposal. Ms. Story Parks said that neither she, Ms. Chapin nor Ms. Jacobs provided any legal advice to the Board at Ms. Chapin's instruction since they would be benefiting from the improved pension benefits. She said that since the Board members were required to serve on the Board pursuant to the City Charter, it was appropriate for them to vote on the benefits. Ms. Story Parks recalled no consideration given to Section 1090. She thought it was "off the radar screen" of every public pension fund. She recalled that Mr. Blum had researched 1090 after the fact. She said she learned about Mr. Blum's research from Ms. Jacobs who reviewed Mr. Blum's bills.

Regarding Mr. Blum changing his opinion, Ms. Story Parks said that she found it difficult to reconcile the change. She did not know why Mr. Blum had changed his mind.

She recalled Mr. Blum and the Board discussing concerns about litigation.

Ms. Story Parks recalled that Mr. Grissom supported MP2 in June and July 2002. She also recalled that he liked the larger contributions the City would pay.

Ms. Story Parks recalled that Mr. Saathoff appeared knowledgeable about the Retirement System. She said his personality was one that wore people down. She remembered that he was frequently in Mr. Grissom's office. She also heard rumors that Mr. Saathoff had pushed people for his purchase of service credit at the lower rate. Based on the claim that there was a miscommunication and overlooked paperwork, Ms. Story Parks thought that since he was regularly at SDCERS' offices, Mr. Saathoff would have followed up as necessary to complete the paperwork in the appropriate time period if that had been the case.

Regarding the 90 percent cap before the age of 24, Ms. Story Parks explained that those employees were grandfathered regarding their purchase of service credit. She said that the exception was difficult to administer. She said there was a June 15, 2002 deadline to

buy the service credit. There was a list of individuals that were eligible, including Terri Webster and Holly Reed Faulk.

Regarding the presidential benefit, Ms. Story Parks understood that it benefited all four union presidents. She recalled that the MEA made contributions on behalf of its president, Judie Italiano. However, Ms. Story Parks did not know if the contributions represented both the employee and employer portions. She said that SDCERS had since stopped accepting contributions from the union as a result of the work performed by Ice Miller, SDCERS' tax counsel.

Retiree Health Care

Regarding retiree health, Ms. Story Parks said that it is currently a 401(h) trust that is funded from the "waterfall". She also said that at the time of MP2, there were discussions about establishing a separate trust instead of continuing with the "sub-trust" operation. Ms. Story Parks said that the City has been writing a check to fund the retiree health care costs on a monthly basis for at least the last one to two years.

Board Minutes

Regarding the summaries of the Board meetings, Ms. Story Parks said that people often disagreed with how their statements had been characterized in the minutes. She described the process as Ms. Zumult (the Board Secretary) transcribing the minutes at home for the next several days after each Board meeting. Then the Board members, and possibly others, would request changes be made to the minutes if they thought that she had not properly characterized their statements.

Sheila Leone email

Regarding Ms. Jacobs' email about Mr. Grissom discussing the malpractice lawsuit with Mr. Blum, Ms. Story Parks said that she learned the information in the email from Ms. Jacobs who had had discussions with Mr. Leone and Mr. Vitek. Ms. Story Parks understood that Mr. Vitek had called Mr. Grissom and had told Mr. Grissom not to talk to Mr. Blum. Ms. Story Parks never determined if Mr. Grissom had told Mr. Blum about the malpractice litigation.

Ms. Story Parks recalled that Ms. Jacobs had pushed for suing Mr. Blum and Mr. Grissom delayed the lawsuit. Ms. Story Parks said that once Michael Conger filed a lawsuit against Mr. Blum, SDCERS was forced to file the suit itself.

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Fiduciary Counsel

Regarding any of her knowledge for the reason to change fiduciary counsel in any of the earlier years, Ms. Story Parks said that she recalled a falling out with Michael Toumanoff, but she had no knowledge of the reasons for the falling out or the change.

Ms. Story Parks recalled that SDCERS hired Hanson Bridgett before Mr. Blum joined the law firm. When Connie Hiatt was the main person, SDCERS did not have any billing issues. Ms. Story Parks also recalled that Mr. Blum was difficult to deal with and he did not treat the women well.

Diann Shipione

Regarding Diann Shipione, Ms. Story Parks said that no one liked her. Although she raised some good issues, she raised too many issues that were not valid. Ms. Story Parks said that Ms. Shipione frequently verbally attacked people, including SDCERS' staff.

Other Issues

Ms. Story Parks said that beginning in 2003, she became aware of the executive committee holding monthly meetings in closed session. She understood that the purpose of the meeting was to prepare the agenda for the monthly Board meetings. Mr. Grissom, Ms. Chapin, Mr. McCalla and Mr. Barnett attended the meetings. Ms. Story Parks was aware of the meetings because they occurred in the conference room across from her office. In April 2004, Mr. Conger filed a lawsuit alleging that SDCERS wasn't following the Brown Act. In February 2005, Ms. Story Parks was told the meetings were being noticed, but she encountered at least one additional meeting that was not noticed.

Ms. Story Parks said that she believes SDCERS is incorrectly calculating benefits related to the Corbett settlement. She said that the Corbett settlement does not cover disability benefits. She said that Mr. Grissom made the decision to pay the disability benefits similar to the Corbett benefits since Mr. Grissom believed it was fair to treat those individuals the same. Ms. Story Parks said that Mr. Grissom made the decision himself instead of discussing it with the Board. Ms. Story Parks referred to the internal audit of the Corbett litigation which identified some incorrect benefit calculations.